

PriceAlert

Publisher
Joseph L. Hirschmann, Pharm.D.

Editor
Kay Morgan, Manager, Editorial Services

Assistant Editor
Terri Factora
Elaine Kiso
Peter Ngan

Editorial Staff

Eric Ammons
Inna Dimitshleya
Kendra Dodds

Leanne Guillory
Norma Ledetma

Production Staff
Lynda Elliott
Robert Murphy

Volume 32; Number 3

PriceAlert is published monthly for \$129.00 per year by First DataBank, 1111 Baybill Drive, San Bruno, CA 94066.

POSTMASTER: Send address changes to:
First DataBank PriceAlert
P.O. Box 40930
Indianapolis, IN 46240
For additional information, please call 1-800-398-8884

Copyright © 2000, First DataBank, Inc. A wholly owned subsidiary of The Hearst Corporation. Contents of this publication may not be reproduced, stored in a retrieval system, resold or retransmitted in any form without the prior written permission of the publisher. The information reported herein is provided to First DataBank by the various manufacturers and related sources handling the products listed. PriceAlert and First DataBank make no warranty or representation concerning its accuracy.

A Publication of
First DataBank Inc.
The Hearst Corporation

Frank A. Benack, Jr., President
George R. Hearst, Jr., Chairman
Victor R. Ganzi, Executive Vice President
Richard P. Malloch, Vice President and Group Head
Joseph L. Hirschmann, President, First DataBank Inc.

Average Wholesale Price

I have had many conversations regarding what "AWP" is and how FDB determines it. There is much folklore and misunderstanding as to the determination of AWP and how we obtain the data.

AWP is the average wholesale price. That is, AWP is the average of the prices charged by the national drug wholesalers for a given product(NDC),often referred to by FDB as the "Blue Book Price". The operative word is *average*. AWP was developed to provide a price, which all parties could agree upon.

In order to determine the AWP, First DataBank surveys national wholesalers to ascertain what the price is. This is based on their AWP price files. We contact the wholesalers to determine what the markup should be for a new company. First DataBank then confirms that the markup is accurate and current. A survey may be performed on a single NDC number or on a manufacturer's entire product line. In either case, a survey will be performed with all national wholesalers to determine the appropriate AWP.

With increased numbers of surveys done, the determination represents over two-thirds of the volume of the wholesalers, and is also representative of wholesalers on a national level. Because individual wholesalers may mark up each manufacturer differently, a weighted average, not a consensus average, is calculated. That is, the market share held by the wholesalers surveyed affects the markup factor proportionally. Therefore, wholesalers with higher drug dollar volumes have more weight in the determination of the final markup. Thus, a higher degree of certainty is achieved. We also consider the manufacturer's suggested wholesale price (SWP) in our determination.

Many customers are under the impression that the manufacturer sets the AWP. This is not true. FDB reports the wholesale price suggested by the manufacturer as "Suggested Wholesale Price (SWP)". The SWP is a different data element on the NDDF file for those customers who want to use SWP instead of AWP. Frequently, the SWP and AWP are the same. However, we are having more instances where they are different. We will populate the SWP with the new mark-up, but will survey the national wholesalers to determine AWP. The AWP will be populated with the wholesaler survey price even if it disagrees with the SWP.

In most cases, the results from surveys match what First DataBank is using. In the instances that they do not, it is First Databank's policy to change the markup to report marketplace reality.

Kay Morgan

Contents

Features	2
Definitions	2
Pricing Section	3
Price Change Summary	78

HIGHLY
CONFIDENTIAL